



## The Public Hearing Process and Milk Price Formulas

Many people are mystified by the process that establishes minimum milk prices and their corresponding pool quota and overbase prices. Some assume that the Department of Food and Agriculture (Department) assesses the conditions faced by the dairy industry in California and sets the minimum farm prices accordingly. However, this is an inaccurate depiction of how milk prices are established.

Minimum farm prices are determined according to mathematical formulas that are based upon market prices for manufactured dairy products. These formulas were established through a public hearing process in which interested parties offered testimony and evidence relating to the proposed formulas. Revisions to these pricing formulas, other provisions of the Stabilization and Marketing Plans, and provisions of the Pooling Plan for Market Milk are made only after a public hearing has been held. Most hearings are initiated by entities representing either milk producers, cooperatives, or milk processors; and require formal submission of a hearing petition. Occasionally, the Department will call a hearing on its own motion.

The petition submission process is formal, and a valid petition must contain:

- ❖ Specification as to which plan(s) to change. The plans are:
  - Northern California Milk Stabilization and Marketing Plan,
  - Southern California Milk Stabilization and Marketing Plan, and
  - Milk Pooling Plan.
    - The Stabilization plans specify the pricing formulas the Department uses to establish minimum prices.
    - The Pooling Plan specifies how the revenues generated from milk sales are distributed to producers.
- ❖ A brief written description of the requested changes.
- ❖ An explanation of why the petitioner recommends the proposed change, including relevant analysis and data.
- ❖ A specification of what code sections are relevant to the call of the hearing.
- ❖ A revised plan with implementation language.
- ❖ A specified implementation date.
- ❖ The signature and printed name of the petitioner, the date the proposal was signed, the mailing address, phone number, and if available, the fax number and e-mail address of the petitioner.

The Department must accept or deny a petition within 15 days of receipt. A petition that represents the opinion of 55 percent of all producers and not less than 55 percent of the total production results in a mandatory hearing.

The Department is generally required to follow the steps shown in the timeline attached. Pooling hearings may require additional time if there is a referendum.